GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2035
ANSWERED ON:05.08.2005
GUIDELINES FOR FINANCIAL ASSISTANCE TO STATES
Reddy Shri Karunakara G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has issued guidelines for loans, financial assistance and grants-in-aid lor various projects/schemes in special and non-special category States;

(b) if so, the details thereof;

(c) whether some States have registered their protests in this regard;

(d) if so, the reasons therefor; and

(e) the corrective measures taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) and (b) No, Sir. No guidelines have been issued for loans and financial assistance for various projects/schemes for states` plans. However Twelfth Finance Commission has recommended that Central Government should not act as an intermediary for future lending to States and allow the States to approach the market directly. Government of India has accepted this recommendation of Twelfth Finance Commission and accordingly States have been conveyed about the decision.

(c) and (d) In response to this decision, States have raised apprehensions on issues of regularity of fund flows for State Plans, inability of some States to raise market borrowings, high cost of small saving funds and caps on market borrowings by the States.

(e) Government of India has accepted the recommendation of Twelfth Finance Commission to borrow on behalf of Fiscally Weak States who are unable to raise funds from the market and allow other States to borrow from the market directly.